



**National Consumer Cable Association**

August 9, 1993

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Ms. Donna Searcy  
Office of the Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: Comments on the Cable/Consumer Electronics Compatibility  
Advisory Group's Supplemental Comments

ET Docket No. 93-7

Dear Ms. Searcy:

Enclosed is one original and ten copies of the National Consumer Cable Association's response to the Comments submitted in the above-referenced proceeding on compatibility between cable systems and consumer electronics equipment.

Thank you for your consideration.

Sincerely,

*Joan Waldman / DP*

Joan Waldman  
Executive Director

JW/dp

enclosure

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the matter of

Implementation of Section 17 of  
the Cable Television Consumer  
Protection and Competition Act  
of 1992

Compatibility Between Cable  
Systems and Consumer Electronics  
Equipment

ET Docket No. 93-7

COMMENTS OF THE  
NATIONAL CONSUMER CABLE ASSOCIATION

Joan Waldman  
Executive Director  
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(818) 895-9900

Dated: August 9, 1993

**THE NCCA**

The National Consumer Cable Association (NCCA) is a group of manufacturers and distributors of cable television equipment which was established in April of 1993 to promote competition in the furnishing of cable television equipment to cable television subscribers.

Both the 1984 Cable Act and the Cable Television Consumer Protection and Competition Act of 1992 encouraged competition in furnishing equipment to cable television consumers. However, the cable television industry has taken the position that only cable television companies can authorize the use of any equipment on cable systems and the official policy of the industry is not to authorize the use of any equipment on cable systems except equipment furnished by cable companies.

Since the NCCA represents manufacturers and distributors of such equipment, the NCCA is deeply concerned with any policy that will affect the use of privately owned equipment by cable television subscribers. The issue of compatibility between consumer electronics equipment and cable systems is of vital importance to the NCCA, even though the present inquiry appears to be limited to equipment such as television receivers and video cassette recorders (VCRs).

In fact, the sharp contradictions in comments received from the Consumer Equipment Group of the Electronic Industries Association (CEG) and the National Cable Television Association (NCTA) reveals a deeper conflict as to who will furnish equipment for subscribers, and such a contradiction is mirrored by the struggle between monopoly and competition. The NCCA would like to enlarge the scope of competition in furnishing equipment to cable subscribers.

Unfortunately, the FCC released its Notice of Inquiry on January 29, 1993, and comments were due on March 22, 1993, months before the NCCA was even established, and the NCCA did not have the opportunity to submit comments under the original Notice of Inquiry. In the ensuing months, the NCCA has had the opportunity to review comments submitted by the CEG and the NCTA, and the NCCA would like to take this opportunity to comment on the papers previously submitted by these organizations.

### **THE BACKGROUND OF THE CONTROVERSY**

The NCTA has argued that the use of privately owned cable equipment would compromise the security of cable systems because that would enable subscribers to obtain cable television programming without paying for it.

Such an argument was originally made against the use of cable television converters (tuners). The argument was that even a converter would allow a person to receive programming that was not available to standard television receivers. However, with the advent of "cable ready" television sets, the NCTA abandoned its objection to the sale of converters to the public.

It should be noted that many cable companies continue to charge for each "hookup" in the household and, in practice, prevent the use of such converters since the cable companies claim that they will furnish a converter for each hookup and the only possible use of a privately owned converter would be to make an "illegal" hookup upon the theory that no one would buy a converter when they would receive one from the cable companies upon ordering cable television.

The same argument is made against the sale of descramblers. Since legitimate subscribers are given a converter with descrambling capabilities, or are given a separate descrambler, which is programmed to receive only that programming which is paid for, the

only possible use for a privately owned descrambler would be to receive premium programming without paying for it.

However, consumers argued that converters supplied by the cable companies defeated functions already supplied by "cable ready" equipment, such as the use of remote controls. Consumers also found that privately owned equipment was superior to the converters supplied by the cable companies. Competing equipment often had parental lockout, sleep switches, stereo functions and the like.

Most importantly, since deregulation in 1986, the cable companies have charged exorbitant prices for second and third hookups within the household. Although a signal can be split to enable a second or third hookup to receive the same programming, in order to view a different channel on a second set, third set, etc., an additional set of equipment is required for each additional hookup. A subscriber's bill often doubled with the addition of second and third hookups.

The cost of purchasing privately owned equipment would often be less than the cost of leasing that same equipment for one or two years, and the lifespan of such equipment could be five to fifteen years, depending upon the rate at which the cable companies changed equipment.

The leasing of such secondary equipment has become a substantial part of the revenue of cable companies, and it is the contention of the NCCA that the cable companies oppose the sale of private equipment to subscribers because of a potential loss of revenue rather than any desire to secure their signals.

Congress condemned price-gouging by cable companies, which have used their monopolistic power to extort huge fees for their services and the rental of cable equipment. The current inquiry regarding the compatibility of television receivers and VCRs with cable systems is merely a part of the problem. Unfortunately, the "compromise" between the

CEG and the NCTA does not cover the entire problem and leaves the consumer unprotected against such price-gouging because it has not addressed the fundamental issue of competition in the sale of privately owned equipment to the cable consumer.

### **THE ORIGINAL CEG POSITION**

According to the CEG, the incompatibility between "cable ready" equipment and cable systems is that there is a lack of any standards for cable transmissions and reception (and that cable companies keep changing their methods of reception), and the refusal of the cable companies to give up scrambling. According to the CEG, cable companies could use traps, interdiction (jamming of certain signals) and broadband scrambling outside the home so that television sets and VCRs would receive programming "in the clear". Descrambling within the home would not be necessary, and cable theft could be avoided by present technologies.

Aside from criticizing the lack of standards in the cable industry, the CEG described the numerous security systems that are currently in use by the cable industry. These include negative traps, positive traps, addressable traps, interdiction, and a wide variety of scrambling techniques. Aside from scrambling, all other security systems are compatible with consumer electronics equipment.

According to the CEG, traps and interdiction (which are already available) provide substantial security for cable systems without the use of descramblers.

The CEG stated that many compatibility problems could be solved with access to multiple channels by a multi-channel converter. The CEG suggested that present security problems could be solved by the use of interdiction and broadband descrambling, so that signals could be transmitted to standard television receivers "in the clear". The CEG also suggested that the creation of digital standards and the use of "smart cards" in the receiving equipment could be used to improve security in the future.

## **THE NCTA POSITION**

On the other hand, the NCTA took an almost contrary position. It argued that the term "cable ready" was a misleading term used to sell more television sets and VCRs. It argued that the most cost effective method of securing the cable signal was addressable descrambling, and that the recently enacted "must carry" and "anti-buythrough" rules require the use of addressable descrambling. In particular, the NCTA flatly rejected the use of trapping and interdiction as being either too limited or untried and suggested the use of more elaborate equipment and more regulation of consumer electronics as a solution to incompatibility. The NCTA did admit that its proposals would only be an 80% or 90% percent solution but the NCTA blamed incompatibility on the consumer electronics industry, and rejected any responsibility for such incompatibility.

## **THE CEG REPLY**

In its reply, the CEG criticized the NCTA position as creating more confusion by adding to the number of set-top boxes instead of reducing them. The CEG also rejected the proposal for a decoder interface on consumer products so as to enable cable programming to bypass the converter features to the TV and go directly to the decoder for descrambling of premium programming. The CEG argued that the decoder interface would not be "downward compatible" with the millions of cable-ready sets that have already been sold, and would substantially add to the cost of cable, both in the original purchase of the equipment and the monthly fees charged by the cable company.

## **SURRENDER OF THE ADVISORY GROUP TO THE NCTA**

The Joint Advisory Group (composed of representatives from both the NCTA and the CEG) claimed that paramount importance must be given to the security of cable programming. Instead of promoting national standards, the Advisory Group recommended experimentation. The Advisory Group recommended improvements in hardware, i.e., RF

bypass circuitry, converters with built-in timers, universal remote controls, VCRs with cable controls and dual-descrambling converters as short term solutions. Over the long term, the Advisory Group recommended creation of standards for digital transmission, the development of a hybrid analog/digital decoder interface, and the use of set-back decoders (rather than set-top converter/descramblers) as the long term solution. Rather than impose regulations upon the cable industry (an acknowledged monopoly), the Advisory Group would regulate the consumer electronics industry by creating standards for labeling equipment as "cable-ready".

### **THE NEED FOR BALANCED SOLUTIONS**

These comments display contradictory approaches to the issue of compatibility. The CEG blames the cable industry for bypassing the cable-ready aspects of consumer equipment (and thus disabling many new features of such equipment). The NCTA simply blames the consumer electronics industry for marketing equipment labeled as "cable-ready" when such equipment is not in fact "cable-ready".

The CEG also claims that traps and interdiction, and the use of broadband descramblers located outside the home can eliminate cable theft, and that receivers should be able to receive cable signals in the clear. The NCTA believes that addressable descrambling is the only cost effective tool to prevent theft of cable services. The Advisory Group almost completely adopts the cable industry position.

None of these positions adopts a balanced view of compatibility and all give superficial treatment to the underlying problem - the lack of any real competition in marketing cable equipment to cable consumers.



## **THE ARGUMENT FOR GREATER COMPETITION**

The cable industry claims enormous losses due to signal theft, which the CEG questions as being exaggerated. The NCCA also believes that such claims are grossly exaggerated, but that there is substantial theft of cable services and that measures should be taken to prevent theft. Contrary to the position taken by the cable industry, the NCCA believes that scrambling is not the sole or even the best method of securing the cable signal. Certainly, the arguments in favor of descrambling have been used to prevent competition in the furnishing of equipment to cable subscribers. With a captive audience, the cable companies have tied the leasing of equipment to the furnishing of programming. Thus, the cable companies have a vested interest in maintaining scrambling and preventing competition in furnishing descramblers to subscribers.

The CEG suggests the use of technologies that would permit consumer equipment to receive cable signals "in the clear". The cable industry rejects the use of traps and believes that interdiction has not been fully tested (since it has only been used by 80,000 subscribers for a short period of time). For the immediate future, it seems that scrambling and the use of descramblers are here to stay. In fact, Congress has prohibited the FCC from eliminating the use of scrambling as a security system.

Therefore, in order to protect the consumer, it is necessary to have competition in furnishing converters (including converter/descramblers) to the consumer. Cable companies have refused to program converters which were purchased privately. According to the cable companies, the consumer can only use equipment furnished by the cable company. While that position has been challenged in the courts, the FCC has yet to rule on whether such equipment may be sold to cable subscribers by third parties and, if so, under what conditions.

The Advisory Group has hinted at the problem by advocating that the Commission "require that cable operators charge consumers monthly rentals for set-back decoders and set-top converter/descrambler in proportion to their costs." There is no discussion of why such monthly rentals are not proportionate to the cost in today's market, but the answer is obvious. The present monthly rentals are not proportionate because the cable companies exercise a monopoly in the furnishing of equipment. The only sure solution is to create competition by third-party vendors, with steps being taken to have cable companies program such equipment at nominal cost.

Once the incentive for monthly rentals is eliminated, the cable companies will have a more realistic position regarding compatibility with other consumer electronics. With less reliance upon scrambling by the cable companies and less reliance upon receiving signals "in the clear" by the consumer electronics industry, we may come to a salutary mix of technologies which will enable the cable companies to make their systems more compatible with consumer electronic equipment while still protecting the security of their cable signal.

Respectfully submitted,

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